STATE BOARD OF EQUALIZATION
STAFF LEGISLATIVE BILL ANALYSIS

Date Amended:	**04/04/01**	Bill No:	**SB 849**
Tax:	**Oil Spill Prevention and Administration**	Author:	**Torlakson**
Board Position:		Related Bills:	

BILL SUMMARY

Among other things, this bill would increase, for calendar year 2002, the amount of the annual assessment of the Oil Spill Prevention and Administration Fee the administrator[1] is authorized to impose, from four cents ($0.04) to six cents ($0.06) per barrel of crude oil or petroleum products.

ANALYSIS

Current Law

Under existing law, Section 8670.40 of the Government Code requires the Board to collect the Oil Spill Prevention and Administration Fee in an amount determined by the administrator to be sufficient to carry out the oil spill prevention and administration program, as specified, and a reasonable reserve for contingencies. The amount of the annual assessment shall not exceed four cents ($0.04) per barrel of crude oil or petroleum products.

Since its inception, the amount of the fee as determined by the administrator and collected by the Board has been set at a rate of four cents ($0.04) per barrel. The fee is paid to the Board based upon the number of barrels of crude oil or petroleum products received at a marine terminal or transported by pipeline during the preceding month and deposited into the Oil Spill Prevention and Administration Fund.

Proposed Law

This bill would increase, for calendar year 2002, the amount of the annual assessment of the Oil Spill Prevention and Administration Fee the administrator is authorized to impose, from $0.04 to $0.06 per barrel of crude oil or petroleum products.

This bill would also authorize the administrator, on or after January 1, 2003, to adjust the amount of the annual assessment imposed based upon the changes in the California Consumer Price Index (CCPI), as determined annually by the Department of Finance and published in the budget submitted to the Legislature by the Governor.

[1] Chief Deputy Director of the Department of Fish and Game.

Additionally, this bill would change the date from January 15 to January 20 by which the administrator is required to prepare a plan that projects revenues and expenses over three fiscal years, including the current year. However, this provision does not impact the Board.

Background

In 1990, Senate Bill 2040 (Chapter 1248, Keene) added and Senate Bill 7 (Chapter 10, Keene) amended Section 8670.40 of the Government Code to impose the Oil Spill Prevention and Administration Fee. These bills required the Board to collect the fee at an amount determined by the administrator, which is not to exceed four cents ($0.04) per barrel of crude oil or petroleum products.

In 1991, AB 1409 (Chapter 300, Lempert) enacted the Oil Spill Response, Prevention, and Administration Fees Law that prescribed the powers, duties and procedures of the Board for collection, in part, of the Oil Spill Prevention and Administration Fee.

COMMENTS

1. **Sponsor and purpose.** This bill is sponsored by the author and is intended to expand the operations, capacity and readiness of the state's oil spill prevention and response system. According to the author's office, there is evidence that the current fee is not adequate to fund the level of readiness and response necessary to protect the state's waterways.

2. **The Board does not anticipate any problems administering the provisions of this bill.** Increasing the amount of the fee, as authorized by the administrator according to the provisions of this bill, would not materially affect the Board's administration of the Oil Spill Prevention and Administration Fee.

3. **Double joining language may be necessary.** AB 388 (Strom-Martin) also amends Section 8670.40 of the Government Code. AB 388 would, in part, continuously appropriate $125,000 annually for expenditure without regard to fiscal years to the Office of Oil Spill Prevention and Response for purposes specified by that bill.

   As this bill progresses, the author may wish to consider adding double joining language to this measure.

COST ESTIMATE

The administrative workload associated with this bill would include advising and answering inquiries from the public, informing Board staff, reprogramming, revising returns, and increased compliance and audit efforts due to an increase in the fee. However, a cost estimate of this workload is pending.

REVENUE ESTIMATE

Background, Methodology, and Assumptions

Background. Existing law requires that the Board collect an oil spill prevention and administration fee that is imposed on the owner of crude oil and other petroleum products when these petroleum products have passed through marine waters of California and are received at a marine terminal. Operators of a pipeline are also required to pay an oil spill prevention and administration fee for each barrel of crude oil that originates from a production facility located in the marine waters of the state.

Marine terminal and pipeline operators collect and remit fees to the Board on the 25th day of each month for the number of barrels of petroleum product received during the preceding month. These fees are then deposited in the Oil Spill Prevention and Administration Fund at the State Treasury. Existing law provides that these fees can only be used for oil spill prevention and response activities (e.g., environmental and economic studies, implementation and maintenance of emergency programs, and response to the "imminent threat" of an oil spill), not for the funding of an actual response to an oil spill.

Assumptions. Historical monthly revenue deposited in the Oil Spill Prevention Fund was obtained from the Board Accounting Section for the period July 1997 through February 2001 (the most recent month for which data exist). An analysis of these data did not suggest any obvious trends over the past three calendar years. Also, there has been little change in the number of feepayers (i.e., varying from 36 to 40) over this same period. Therefore, this estimate assumes that the expected volume of petroleum products subject to this fee during the next several years would be an average of the prior three years.

Methodology. Based on these historical data (with an adjustment for February 1999, which included about $5.0 million above what one would expect because of the settlement of a lawsuit), the estimated number of barrels of crude oil and other petroleum products subject to the fee would be 246,935,600 for the period July 2001 through December 2001 and 259,586,400 for the first six months of 2002. For fiscal year 2001-02, 506,522,000 barrels would be subject to the fee (246,935,600 + 259,586,400 = 506,522,000). Based on an assessment of four cents ($0.04) per barrel, the revenue estimate for the 2001-02 state fiscal year is about $20.26 million (506,522,000 x 0.04 = $20,260,900). Using six cents ($0.06) for the latter half of this fiscal year (January 2002 through June 2002), the additional revenue for the 2001-02 FY is estimated at $5.19 million for the 2001-02 FY (259,586,400 x (0.06 – 0.04)) = $5,191,700).

Estimated revenue for FY 2003-04 (the first complete fiscal year under the new rate) is approximately $30.39 million (506,522,000 x 0.06 = $30,391,300). Therefore, the increase in revenues resulting from the fee increase from $0.04 to $0.06 per barrel (for the 2003-04 FY) is approximately $10.13 million (30.39 - 20.26 = 10.13).

On or after January 1, 2003, the Administrator would be authorized to adjust the annual assessment by the formula specified in the bill (i.e., "by multiplying the amount of the prior year's annual assessment by the current year's CCPI and dividing this product by the prior year's California Consumer Price Index"). In September 2000, the UCLA Anderson Forecast estimated that the CCPI would increase an average of 2.6 percent per year from 2001 through 2010. If the California CCPI increases by 2.6 percent, the fee would increase by approximately 0.2 cents (0.06 x 0.026 = 0.00156). Such an increase in the fee per barrel would increase revenues by approximately $1.0 million per year if the number of barrels subject to the fee remains at current levels (0.002 x 506,522,000 = $1,013,044).

Revenue Summary

Assuming that the volume of crude oil and other petroleum products passing through the State's marine waters remains about what it has been over the prior three years, the expected gain in revenue for the 2001-02 FY would be approximately $5.2 million. After full implementation of the six cents ($0.06) per barrel charge, the estimated revenue gain would be about $10.1 million. In future years, the revenue may increase approximately $1.0 million per year if the administrator chooses to increase the fee according to the consumer price index provision of the bill. This increase again assumes no change from the current number of barrels subject to the fee.

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